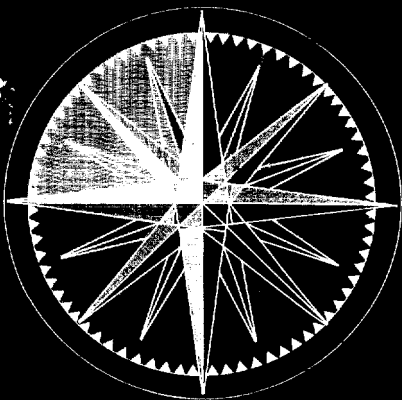


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SPECIAL REPORT

SIGNIFICANCE OF EEC-AFRICAN ASSOCIATION AGREEMENT

CENTRAL INTELLIGENCE AGENCY
OFFICE OF CURRENT INTELLIGENCE

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13 September 1963

SIGNIFICANCE OF EEC-AFRICAN ASSOCIATION AGREEMENT

An association convention signed last July and coming up for ratification this fall will govern economic relations for the next five years between the six members of the European Economic Community and eighteen Associated African and Malagasy states (AOCs). It will bring major economic benefit to the AOCs through increased trade with and aid from the EEC, and will tend to perpetuate European political and economic influence in a large segment of Africa. On the other hand, its preferential trading arrangements may work against efforts to promote the common interests of the former French, British, and Commonwealth areas in Africa, and will discriminate against nonassociated underdeveloped countries in Africa and in such other tropical areas as Latin America. Some of the convention's more radical African critics are charging that it is merely a vehicle for continuing European colonial domination.

Origins of the Convention

The new convention replaces and is based on the annex to the 1957 EEC treaty which brought within the community framework the overseas territories then under the administration of France, the Netherlands, Belgium, and Italy. From these "involuntarily associated" territories, 19 independent African countries subsequently emerged--most of them in 1960. All of these new states chose to maintain this tie with the EEC on achieving independence, and all agreed in December 1962 to extend it for one year. Among the original associates, only Guinea has chosen not to participate in the new convention.

The original annex, exclusively economic in character, provided for EEC developmental aid to the associated countries

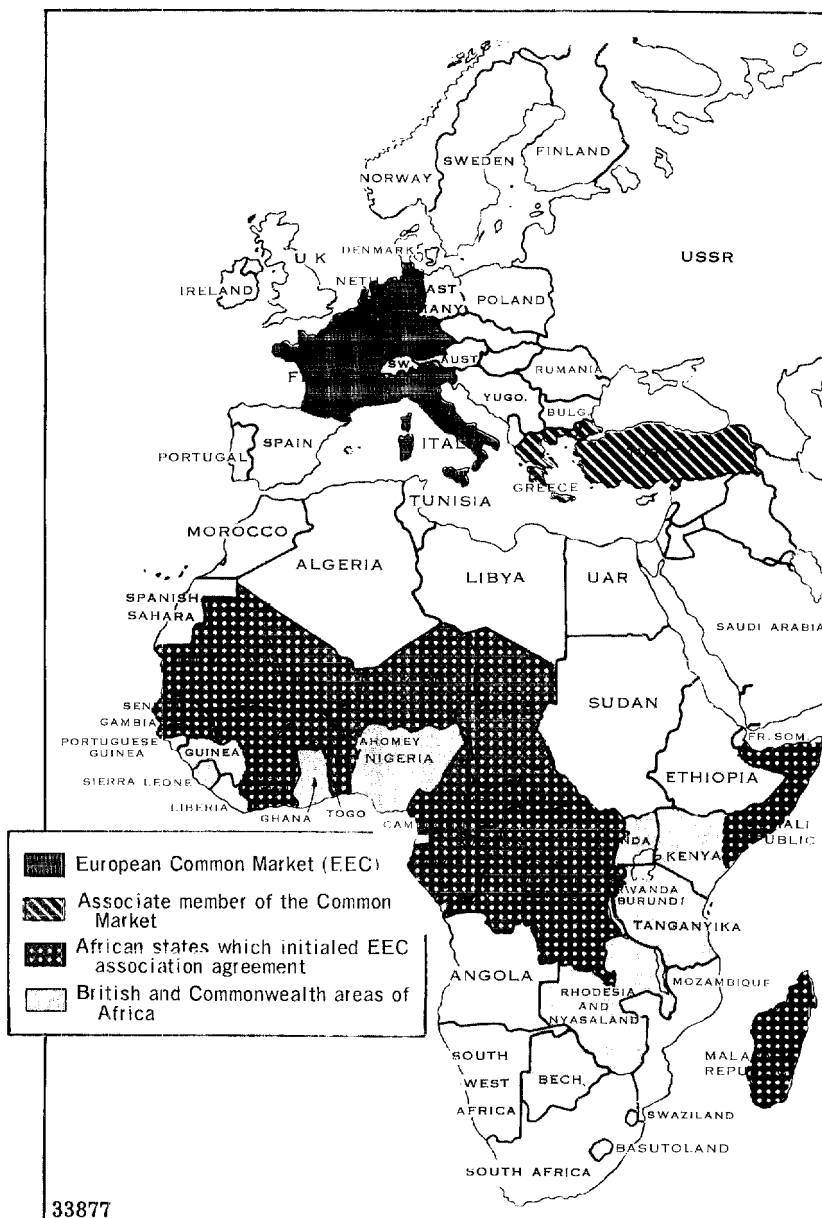
totaling \$580 million and for the gradual institution of tariff-free and nondiscriminatory trade between the associates and all six EEC members. In the past five and a half years, most of these aid funds have been committed, and have substantially benefited the Africans. The elimination of tariff barriers has also proceeded as scheduled, but with lesser benefits. Changes in pre-existing trade patterns have been inhibited by language differences, long-standing bilateral trading arrangements, and the great overvaluation of the French-African franc.

Aid to Africa

The new association agreement provides an aid program totaling \$800 million over the next five years, of which \$730 million will go to the AOC states and \$70 million to the overseas

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THE EUROPEAN COMMON MARKET AND ITS ASSOCIATES

MEMBERS OF THE ASSOCIATION CONVENTION

	Population (Thousands)
Burundi	2,213
Cameroon	4,907
Central African Rep.	1,227
Chad	2,575
Congo (Brazzaville)	795
Congo (Léopoldville)	14,150
Dahomey	1,934
Gabon	440
Ivory Coast	3,300
Malagasy Republic	5,487
Mali	4,100
Mauritania	727
Niger	2,870
Rwanda	2,634
Senegal	2,973
Somali Republic	1,990
Togo	1,140
Upper Volta	3,700
18 African Assoc. (rounded total)	57,000
Greece	8,400
Turkey	28,600
	94,000
6 EEC Countries	172,000
TOTAL	266,000

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departments and dependencies of France and the Netherlands.

Half a billion dollars will be devoted to social and economic development in Africa, and the remainder will be used to promote diversification and production of exportable products. Eighty-five percent of the total aid will be in the form of grants, about six percent in soft loans (a maximum duration of 40 years with a ten-year grace period for repayment), and the rest in hard loans from the EEC's European Investment Bank (EIB).

About two thirds of the \$800 million to be spent by the EEC will be contributed by France and West Germany with each providing \$246.5 million. Italy will contribute \$100 million, the Benelux countries \$137 million, and \$70 million will come from the EIB itself.

Trade With Africa

Key features of the convention are the arrangements it specifies affecting trade.

The EEC will abolish all duties and those taxes which have the effect of duties on imports from the AOCs of nine important tropical products including coffee, cacao, and tea. Simultaneously, the common external tariff (CXT) on imports of these products from nonassociated countries will be reduced by 40 percent on the above-mentioned products and 15 to 20 percent for other tropical products.

The EEC states, sensitive to the charge that existing trading agreements are stifling AOC industries, are permitting the Africans to impose quantitative restrictions, raise tariff barriers, and maintain or institute customs duties in order to protect their infant industries. The AOCs are also free to negotiate trade agreements with third countries--provided the agreements do not conflict with the provisions of the association convention or favor third-country over EEC products.

In keeping with the general liberalization in trade, the French price support system for tropical products will eventually be dismantled, but the loss of these supports for the Africans will be ameliorated by the aid they receive for production and diversification. While the aid program is designed to bring about the trading of AOC products at world price levels by the time the convention expires in 1968, the EEC is skeptical this goal can be attained. In fact, trade in certain key products will be handled in the framework of the EEC's Common Agricultural Policy, which is presently the object of considerable Franco-German discord.

The effect of these arrangements is to create an EEC-African free trade area benefiting its members and discriminating against outsiders. Although all exporters of tropical products will have easier access to EEC markets than at present, the associated Africans will definitely have

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the inside track. In return, the EEC countries will have preferred access to a market of 55 million consumers, and to such African raw materials as tungsten, cobalt, diamonds, copper, and uranium. The reliance of EEC industries on African sources of supply will become even greater than at present, and Euro-African business ties in general will be strengthened. For example, within three years European companies will be on equal footing with African concerns in respect of the right to do business and to render services.

Institutions of the Convention

The institutional organs of the association include an Association Council, Committee, Parliamentary Conference, and Court of Arbitration. Africans and Europeans are to participate in these bodies on terms of equality. The Council is to be composed of representatives from the EEC Council, EEC Commission, and the AOCs. Meeting at least once a year under the chairmanship alternately of a member of the EEC Council and a government official from an AOC, the Association Council will issue opinions, make announcements and recommendations, and make decisions in common accord with the Community and the AOCs. The Committee will in effect be the working group of the association and will aid the Council in carrying out its tasks.

The emphasis on European-African parity is also apparent

in the Parliamentary Conference, in which members of the European Parliamentary Assembly and African parliamentarians will be represented equally. Each year the Council will submit to the Conference a report of its activities. The Court of Arbitration will consider conflicts the Council is unable to resolve and asks the Court to settle.

Convention's Global Significance

The economic and to some extent political effects of the new convention will be felt most strongly in areas with economies similar to those of the AOCs.

Nonassociated states in East and North Africa have in particular been concerned about the convention's implications for their own competitive development and its possible effects on their markets abroad. Certain East African countries have evinced an interest in the convention provision permitting the association of economically similar states. However, existing Commonwealth preferences and Britain's exclusion from the Common Market will make it very difficult for these former British territories to find a satisfactory means of doing this. As a first step, they nevertheless may wish to establish diplomatic missions at the EEC headquarters in Brussels.

The main opposition to association of these and other states is likely to come from France, which retains a high degree of

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influence over the economies of many of its former territories in Africa through financial aid and manipulatory devices derived from mutual participation in the franc zone. Paris is therefore likely to be reluctant to welcome any new associate members from countries remaining in the sterling area if this would result in a reduction in French influence over the associated states.

Guinea, the lone holdout among the original associates, has avoided formal renunciation of association, although until fairly recently it had consistently denounced the EEC as "neo-colonialist." In late July, however, President Sekou Touré told a visiting West German EEC expert that he is keenly interested in a possible association arrangement with the Common Market, and praised that organization as an ideal arrangement for Europe. Touré indicated that he regarded Soviet condemnation of the EEC as evidence of its effectiveness.

The Maghreb countries are not covered by the new convention and in the past have had an ambiguous relationship with the EEC. The 1957 treaty called for the opening of association negotiations with Tunisia and Morocco, but these have never advanced beyond the sounding stage. Algeria has for some purposes been treated as part of metropolitan France by the other EEC countries, and West Germany as well as France extended to Algeria the internal EEC tariff reductions of last

July. More recently, the EEC has decided to give Algeria 18 months in which to decide what eventual relationship it wishes to seek. Given the extensive economic ties the Maghreb still has with France, it seems reasonable to expect that all three countries will eventually seek some kind of formal association.

The association convention will also have repercussions in Latin America. For example, coffee-producing countries such as Brazil and Colombia will find it increasingly difficult to compete with the AOC products in the West European market. The difficulties in prospect on this front were foreshadowed in the bitter argument between various AOC and Latin American countries at the recent coffee conference in London over who should hold the key positions in the World Coffee Organization.

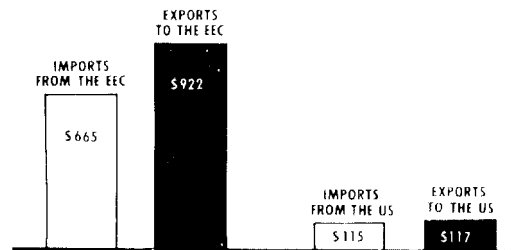
France's Common Market partners may have greater success than heretofore in increasing their influence in the associated African area as a result of their large financial contributions and increased trade opportunities. While France will certainly remain dominant, West Germany appears to be keenly alert to such opportunities. Bonn seems also to regard the convention as potentially useful for political purposes. It has hinted that it might withhold contributions to the EEC's overseas development fund if any AOC were to recognize East Germany.

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Since US investment and trade with the AOCs is small and European commercial and political influence so entrenched, the new convention is unlikely to have a great impact on US commercial and trading interests in Africa itself. However, the discriminatory trade arrangements inherent in the convention are counter to US commercial policy of freeing trade on a most-favored-nation basis. There is also likely to be increasing pressure on the industrial countries outside the Common Market to absorb the export products and to support the economic development of underdeveloped

FOREIGN TRADE OF ASSOCIATED AFRICAN COUNTRIES IN 1962
(MILLION DOLLARS)



countries not included in the association agreement.

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